

ANKER LIVING WAGE REFERENCE VALUE 2022

URBAN GUATEMALA

┌ **LIVING WAGE** ┐
GTQ **4,646** PER MONTH
└ (US\$ 603) ┘





Anker Research Institute engages in and disseminates high quality research, analysis, and training related to living wage and living income (based on the Anker Methodology) to inform and influence companies, empower working people, and shape public policy, thereby helping to enhance quality of life and sustainable livelihoods for working people and their families everywhere. Social Accountability International (SAI) is the institutional host.



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ABSTRACT

Urban Guatemala Reference Value 2022

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This report provides an estimate for the Anker Living Wage Reference Value for urban Guatemala for 2022, as well as contextual background about the country's geography, demographics, economy, poverty, labor market, and standards of living. The Anker Living Wage Reference Value is estimated as GTQ 4,646 (USD 603). The report concludes by comparing the Reference Value to existing wages and highlighting gaps to a living wage.

Keywords: Living wage; Anker Methodology; Guatemala

JEL Classification: I30; J30; J31; J80

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ANKER LIVING WAGE REFERENCE VALUE

Urban Guatemala

1. Anker Living Wage Reference Value for Urban Guatemala in 2022

The Anker Living Wage Reference Value for 2023 for urban Guatemala is GTQ 4,646 (USD 603)¹ per month, with a 95% confidence interval that ranges from GTQ 4,272 to GTQ 5,052 (USD 554 to 655). This Reference Value consists of the Net Living Wage (or take-home pay) of GTQ 4,401 (571 USD) required for workers living in urban areas to be able to afford a basic but decent living standard in a typical urban area of Guatemala, plus GTQ 245 (USD 32) in mandatory payroll deductions which would need to be paid by law as contributions to the state health fund (4.83%) and income tax after deductions (with a marginal tax rate of 5.0%).

Living wage is defined as:

“A living wage is the remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events”.

(Global Living Wage Coalition)

2. Anker Reference Value Methodology

Anker Living Wage Reference Values are based on a relatively new methodology developed by Richard Anker, Martha Anker, and Ian Prates. This methodology is based on a rigorous statistical analysis of 40 internationally comparable, quality-assured Anker Methodology studies for developing countries. It was developed by the Anker Research Institute which is a founding member of the Global Living Wage Coalition.

Anker Reference Values are internationally comparable, consistent with results from existing Anker Methodology living wage and living income benchmark studies and easy to update every year. Thus, they

¹ The exchange rate used to convert to US dollars is Guatemalan Quetzals (GTQ) 7.71. This is the average exchange rate for the three-month period from May through July 2022. Note that USD values in this report are indicative only, since exchange rates are volatile.

are of special value to countries, or areas within a country, where a full quality-assured Anker Methodology living wage or living income study has not yet been conducted.

Anker Living Wage Reference Values represent a living wage for typical families in rural or urban areas of developing countries. Since they are based on a statistical analysis, they have a margin of error for typical urban (or rural) areas of a country, which is generally around +/- 10% using a 95% confidence interval. Since Reference Values are not location-specific within countries and represent the situation in typical urban (rural) regions, the margin of error is likely to be larger for locations with atypical living costs within a country such as large cities with high living costs, or poorer (richer) areas with relatively low (high) living costs and norms.

3. Country Context

Geography and demographics

Guatemala is a country located in Central America of 108,899 km². It is bordered to the north and west by Mexico, to the east by Belize, and to the southeast by Honduras and El Salvador. It is a mountainous country, with a general tropical climate, but because of the country's geography there are quite a few different micro-climates. The country has access to both the Pacific Ocean and the Atlantic Ocean, through the Caribbean Sea.²

The country has 22 departments, which are divided into 340 municipalities. According to the 2018 national census, the population is currently estimated at 17-18 million people.³ The population density is 157 inhabitants per square kilometer. About 52% of the population lives in urban areas, and 48% in rural areas.⁴ The capital, Guatemala City, concentrates around a million of the people, while Mixco and Villa Nueva, two other important urban areas, are home to almost half a million people, respectively.⁵ It is worth noting that, according to the last available Census (2018), 43% of the population is indigenous. Different ethnic groups

2 United Nations. (n.d.) Acerca de Guatemala. <https://onu.org.gt/acerca-de-guatemala/>

3 Oficina de Información Diplomática del Ministerio de Asuntos Exteriores, Unión Europea y Cooperación. (2022) Guatemala. http://www.exteriores.gob.es/documents/fichaspais/guatemala_ficha%20pais.pdf

4 World Bank. (2020). Guatemala. <https://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS?locations=GT>

5 Instituto Nacional de Estadística Guatemala. (2020) Habitantes en Guatemala. Guatemala. <https://www.ine.gob.gt/habitantes/>

include the Maya, Garifuna, Xinca, and Creole people. Indigenous populations are among the most vulnerable groups in the country, in all socioeconomic indicators.^{6,7}

The average age in Guatemala is 26.5 years and the average number of household members is 4.5 people. The total fertility rate is 2.7 children per woman, with an infant mortality of 22.3 per thousand births. Life expectancy is currently 73.2 years (69.9 for men, 76.4 for women).⁸

Economy

Guatemala's economy is the largest in Central America. With a GDP per capita of USD 4,603 (2020) and a total GDP of USD 85.99 million⁹, the country is categorized by the World Bank as an upper middle-income country. Guatemala scores 0.663 on the Human Development Index (2019).¹⁰ The COVID-19 pandemic affected economic growth in Guatemala, like most countries but the country experienced one of the lowest GDP contractions in the Latin American region (-1.8 percent in 2020 compared to a regional average of -6.7 percent).¹¹ By 2021, it recovered to an 8 percent growth rate.¹²

The main branches of productive activities that contribute to the GDP in Guatemala are trade and vehicle repair (19.15%); manufacturing industries (14.1%); agriculture, livestock, and fishing (10.2%); real estate activities (8.6%); and construction (5.1%). Together they account for 57.1% of national production.¹³ The agro-export sector, which represents 9.4%, has grown through the supply of products such as textiles, clothing, rubber, fruits, vegetables, services, and others.^{14,15}

6 USAID. (n.d.) Indigenous People. Guatemala. <https://www.usaid.gov/guatemala/indigenous-peoples>

7 Corte Interamericana de Derechos Humanos - CIDH. 2016. Situación de los derechos humanos en Guatemala.

<https://www.oas.org/es/cidh/multimedia/2016/guatemala/guatemala.html>

8 Instituto Nacional de Estadística Guatemala. (2020) Estimaciones y Proyecciones Nacionales de Población. Metodología y Principales Resultados. <https://www.ine.gob.gt/ine/wp-content/uploads/2020/08/01-Presentacion-de-Resultados-Nacionales.pdf>

9 World Bank. (2021). Guatemala. <https://datos.bancomundial.org/indicador/NY.GDP.MKTP.CD?locations=GT>

10 Oficina de Información Diplomática del Ministerio de Asuntos Exteriores, Unión Europea y Cooperación. (2022) Guatemala.

http://www.exteriores.gob.es/documents/fichaspais/guatemala_ficha%20pais.pdf

11 World Bank (n.d.). Guatemala Overview. https://www.ilo.org/wcmsp5/groups/public/---americas/---ro-lima/---sro-san_jose/documents/publication/wcms_831268.pdf

12 World Bank. (2021). Guatemala. <https://datos.bancomundial.org/indicador/NY.GDP.MKTP.KD.ZG?locations=GT>

13 International Labour Organization. (2021). Empleo y Migración. Guatemala 2021. Serie Migración y Movilidad.

https://www.ilo.org/wcmsp5/groups/public/---americas/---ro-lima/---sro-san_jose/documents/publication/wcms_831268.pdf

14 Vicepresidencia de Guatemala. (2020) Problemática de país: economía, competitividad y prosperidad.

<https://vicepresidencia.gob.gt/politica-gobierno-2020-2024/Problematica-de-pais-Economia-Competitividad-y-Prosperidad>

15 Inter-american Development Bank - IDB (2020). Análisis de políticas agropecuarias en Guatemala.

<http://dx.doi.org/10.18235/0003094>

Social Conditions

Poverty and Inequality

The poverty rate, using the World Bank \$6.85 poverty line for upper-middle income countries was 55% in 2014.¹⁶ Using national poverty line, in 2019, the poverty rate was 59.3% and 23.4% at the national extreme poverty line.¹⁷ Measures of multidimensional poverty suggest that 61.1% of the population lives in deprivation, with the incidence of poverty in rural areas (82.5%) twice that in urban areas (40.3%).^{18, 19} Over the last decade, high poverty rates in Guatemala can be explained by a number of factors, including limited wage growth among the poor, the large share of the informal economy where wages tend to be much lower than in the formal sector, inequalities in the economy and population (e.g. the agricultural sector is composed mainly of large export-oriented plantations on the one hand and small subsistence farms on the other), low state budget revenues resulting in limited public investment and spending capacity, etc.²⁰ Economic inequality is historically high for Guatemala with a Gini coefficient of 48.3 (2018). It is also useful to mention that there is widespread emigration from Guatemala to other countries in order to improve living conditions and to send money to their families.

Healthcare

Guatemala's healthcare system is composed of a public and a private sector. The public sector comprises the Ministry of Public Health and Social Assistance (MSPAS), which formally provides basic health care to 70% of the population.²¹ Access to more comprehensive health insurance is through the Guatemalan Social

16 World Bank (n.d.). Guatemala Overview. https://www.ilo.org/wcmsp5/groups/public/---americas/---ro-lima/---sro-san_jose/documents/publication/wcms_831268.pdf

17 Instituto Nacional de Estadística Guatemala. (2019) Indicadores de pobreza y desigualdad. <https://www.ine.gob.gt/pobreza-menu/>

18 Ministerio de Desarrollo Social e Iniciativa sobre la Pobreza y Desarrollo Humano de Oxford. (2018) Índice de Pobreza Multidimensional. Guatemala. https://mppn.org/wp-content/uploads/2019/10/Guatemala-Report-IPM-gt_29jul19-v1.1.pdf

19 Prensa Libre (2019) Qué es ser multidimensionalmente pobre y por qué el 61.1% de los guatemaltecos viven en esa condición. <https://www.prensalibre.com/guatemala/comunitario/que-es-ser-multidimensionalmente-pobre-y-por-que-el-61-1-de-los-guatemaltecos-viven-en-esa-condicion/>

20 World Bank (n.d.). Guatemala Overview. https://www.ilo.org/wcmsp5/groups/public/---americas/---ro-lima/---sro-san_jose/documents/publication/wcms_831268.pdf

21 Prensa Libre. (2021) Guatemala: La cobertura de servicios de salud es insuficiente.

<https://www.prensalibre.com/guatemala/comunitario/guatemala-la-cobertura-de-servicios-de-salud-es-insuficiente/>

Security Institute (IGSS), which provides coverage to only 19% of the population.²² On the other hand, private health care spending is high in Guatemala (60.4% of total health expenditure) (2019).²³

Both sectors show the shortcomings of Guatemala's health system, which disproportionately affects indigenous people in Guatemala²⁴, who often remain without health care access. As such, Guatemala has a high maternal mortality rate (22.3 per thousand births). It is notable that maternal mortality rates are 2.2 times higher among the indigenous population than among non-indigenous populations, and 2.5 times higher in the poorest area compared to the richest area.²⁵ Also, the country has substantial problems with malnutrition, which affects about 16.8% of the population, and this is about 1.7 times higher in rural areas than in urban areas.²⁶ Likewise, the incidence of epidemiological and infectious diseases is higher in the poorest areas of the country (mostly rural).²⁷

Health spending represents 2.2 percent of GDP.²⁸ The financing of the health system is largely based on the payroll contributions from about half of the population. If somebody does not have health insurance, they pay for part of the institutional treatment and, in addition, for the purchase of medicines and medical equipment.²⁹

22 Programa Estado de la Nación. (2022) Escasos avances en bienestar y cobertura en la atención de la salud en Centroamérica y República Dominicana. <https://estadonacion.or.cr/escasos-avances-en-bienestar-y-cobertura-en-la-atencion-de-la-salud-en-centroamerica-y-republica-dominicana/>

23 World Bank (n.d.). Guatemala. <https://data.worldbank.org/indicador/SH.XPD.PVTD.CH.ZS?locations=GT>

24 Corte Interamericana de Derechos Humanos - CIDH. 2016. Situación de los derechos humanos en Guatemala.

<https://www.oas.org/es/cidh/multimedia/2016/guatemala/guatemala.html>

25 Ministerio de Salud Pública y Asistencia Social - MSPAS, Organización Panamericana de la Salud - OPS y Organización Mundial de la Salud - OMS. (2016) Desigualdades en salud en Guatemala.

<https://www.paho.org/gut/dmdocuments/Desigualdades%20en%20Salud%20en%20Guatemala.pdf>

26 Programa Estado de la Nación. (2022) Escasos avances en bienestar y cobertura en la atención de la salud en Centroamérica y República Dominicana. <https://estadonacion.or.cr/escasos-avances-en-bienestar-y-cobertura-en-la-atencion-de-la-salud-en-centroamerica-y-republica-dominicana/>

27 Ministerio de Salud Pública y Asistencia Social - MSPAS, Organización Panamericana de la Salud - OPS y Organización Mundial de la Salud - OMS. (2016) Desigualdades en salud en Guatemala.

<https://www.paho.org/gut/dmdocuments/Desigualdades%20en%20Salud%20en%20Guatemala.pdf>

28 Prensa Libre. (2021) Guatemala: La cobertura de servicios de salud es insuficiente.

<https://www.prensalibre.com/guatemala/comunitario/guatemala-la-cobertura-de-servicios-de-salud-es-insuficiente/>

28 Programa Estado de la Nación. (2022) Escasos avances en bienestar y cobertura en la atención de la salud en Centroamérica y República Dominicana. <https://estadonacion.or.cr/escasos-avances-en-bienestar-y-cobertura-en-la-atencion-de-la-salud-en-centroamerica-y-republica-dominicana/>

29 Fundación para el Desarrollo de Guatemala. (2021) Guatemala Esperanza de Vida. La mejora depende directamente del desarrollo de su población.

https://www.fundesa.org.gt/content/files/publicaciones/Diagnostico_salud_Gt_y_reformas_necesarias_julio_2021.pdf

In 2018, the Ministry of Public Health network provided only 0.9 services per 10 thousand inhabitants, and there were only 3.4 doctors, 1.82 professional nurses and 12.45 auxiliary nurses in Guatemala per 10 thousand inhabitants. With scarce infrastructure and health care personnel, it has been difficult to reach remote areas of the country, but in urban areas services are generally more available.³⁰ The distribution of health facilities in the country shows that most of the first and second level services are concentrated in urban areas with lower poverty rates. Areas with higher poverty rates (both urban and rural) have markedly fewer health services.³¹

Despite these shortcomings, there are important State efforts to expand coverage. For example, the VIDA Program, which consists of conditional cash transfers, is aimed at promoting health services for pregnant girls and adolescents or mothers under 14 years of age, and victims of sexual violence, whose cases have been prosecuted.³²

Education

Guatemala's education system falls under the responsibility of the Ministry of Education. It is organized at four levels: Initial education (0 to 4 years), pre-primary education (kindergarten, 4 to 6 years), primary education (first to sixth grade) and secondary education (basic education cycle and diversified education cycle). Education is obligatory from pre-primary through secondary education. Pre-primary and primary education are often offered bilingually.³³

Guatemala invests 2.8% of GDP in education spending.³⁴ In comparison to the private sector of education, the public sector provides a large proportion of pre-primary (83.7%) and primary (87.1%) education to the population, while the public education system loses some of its importance in higher levels, with the private sector providing up to 37% of enrollment in secondary education.

30 Prensa Libre. (2021) Guatemala: La cobertura de servicios de salud es insuficiente.

<https://www.prensalibre.com/guatemala/comunitario/guatemala-la-cobertura-de-servicios-de-salud-es-insuficiente/>

31 Ministerio de Salud Pública y Asistencia Social - MSPAS, Organización Panamericana de la Salud - OPS y Organización Mundial de la Salud - OMS. (2016) Desigualdades en salud en Guatemala.

<https://www.paho.org/gut/dmdocuments/Desigualdades%20en%20Salud%20en%20Guatemala.pdf>

32 Ministerio de Desarrollo Social (n.d.) Programa Vida. Programa Vida – Ministerio de Desarrollo Social de Guatemala (mides.gob.gt)

33 CEPAL. (2022) Brechas de acceso a la educación en Guatemala: transformación educativa para la igualdad.

https://repositorio.cepal.org/bitstream/handle/11362/48360/1/S2200956_es.pdf

34 Observatorio Latinoamericano de Políticas Educativas. Perfiles de sistema educativo por país. Guatemala.

<https://www.observatorioeducacion.org/perfiles-por-pais/guatemala>

Gross enrollment rates are much higher in urban areas than in rural areas, and the difference increases from the basic (83% in urban and 52% in rural) to the highest level (111% and 58%, respectively) within the mandatory educational system.³⁵ These rates are explained by the limited state coverage in rural areas, and more private education options in urban areas, where purchasing power is generally higher than in rural areas. At the national level, 94% of students remain in school until the last grade of primary education.³⁶ However, these rates for pre-primary, primary and secondary levels present important gaps: rates are much lower in rural areas and increase as areas become more urban.³⁷ People in urban areas, on average, have 6.2 years of schooling, compared to only 3.7 years in rural areas. School performance tests show that students in rural areas score, on average, 62 points less than urban students, a difference equivalent to a two-year period of schooling.³⁸

Grade repetition, and consequently over-age students, is a serious challenge. Young people and adults who for some reason drop out of the school system are encouraged to attend by the National Literacy Committee - CONALFA - which is a decentralized public/private initiative to improve educational enrolment. It aims to provide education for people of 15 years of age and older, in literacy and post-literacy stages.³⁹

Also, the Bono Social program should be highlighted as a conditional cash transfer program coordinated by the Ministry of Social Development (MIDES). It is aimed at families living in poverty and extreme poverty, and seeks to increase school enrolment among children, and thereby, to reduce the poverty.⁴⁰

Labor market

The labor force participation rate for the population between 25-54 years old is 89.9% for men and 75.3% for women. It is noteworthy, though, that the latter might underestimate real labor participation (see Voorend, Anker and Anker, 2018). As such, the national labor force participation rate is 82.2%. Unemployment rates (for the same age band) are 1.1% for men and 2.3% for women, and 1.6% nationally. Part-time employment rates (defined as less than 30 hours per week) are 22.8% for men and 42.6% for

35 CEPAL.(2022) Brechas de acceso a la educación en Guatemala: transformación educativa para la igualdad.

https://repositorio.cepal.org/bitstream/handle/11362/48360/1/S2200956_es.pdf

36 World Bank. (2021). Guatemala. <https://datos.bancomundial.org/indicador/SE.PRM.ENRR?locations=GT>

37 CEPAL.(2022) Brechas de acceso a la educación en Guatemala: transformación educativa para la igualdad.

https://repositorio.cepal.org/bitstream/handle/11362/48360/1/S2200956_es.pdf

38 Otras Voces en Educación (2018) Guatemala: El 90% de los estudiantes de 15 años no logra el nivel básico de conocimientos.

<https://otrasvoceseneducacion.org/archivos/tag/educacion-urbana>

39 SITEAL. (2019) Guatemala. Perfil de País.

https://siteal.iiep.unesco.org/sites/default/files/sit_informe_pdfs/siteal_ed_guatemala_20190516.pdf

40 Ministerio de Desarrollo Social (n.d.) Programa Bono Social. <https://www.mides.gob.gt/programas-sociales/bono/>

women (8.1%). In terms of labor market participation, the rates are 72.8% in urban areas and 64.6% in rural areas. Unemployment rate is higher in urban areas (2.1%) than in rural areas (0.8%).⁴¹

Informality rates are extremely high in Guatemala. In 2019, 70.2% of Guatemalans worked informally (69.7% among males and 71.4% among females). The difference between the levels of informality for the indigenous population and the rest of economically active people is large, 83.7% for indigenous people and 62.5% for others. Informality is also considerably higher in rural areas (74.6%) than in urban areas (65.5%).⁴² In 2019, the informal economy contributed 22% of GDP.⁴³

4. Wage ladder and gaps to a living wage, Guatemala 2022

Figure 1 presents a wage ladder for urban Guatemala. It compares the Anker Living Wage Reference Value to five other wage indicators: the new World Bank poverty line wage for upper-middle income countries (\$ 6.85 PPP per person per day), the national poverty line wage (update to 2022 by inflation), two prevailing wage estimates for manufacturing workers and the average wage for all work activities, and the national minimum wage for non-agriculture workers.

The Anker Reference Value for urban Guatemala is considerably higher than poverty line wages for Guatemala. It is 2 times the World Bank poverty line wage for upper-middle income countries and 60% higher than the national poverty line wage. This implies that these poverty lines are too low for decency in Guatemala (see notes a and b to the figure wage ladder below for discussion on these poverty lines for Guatemala).

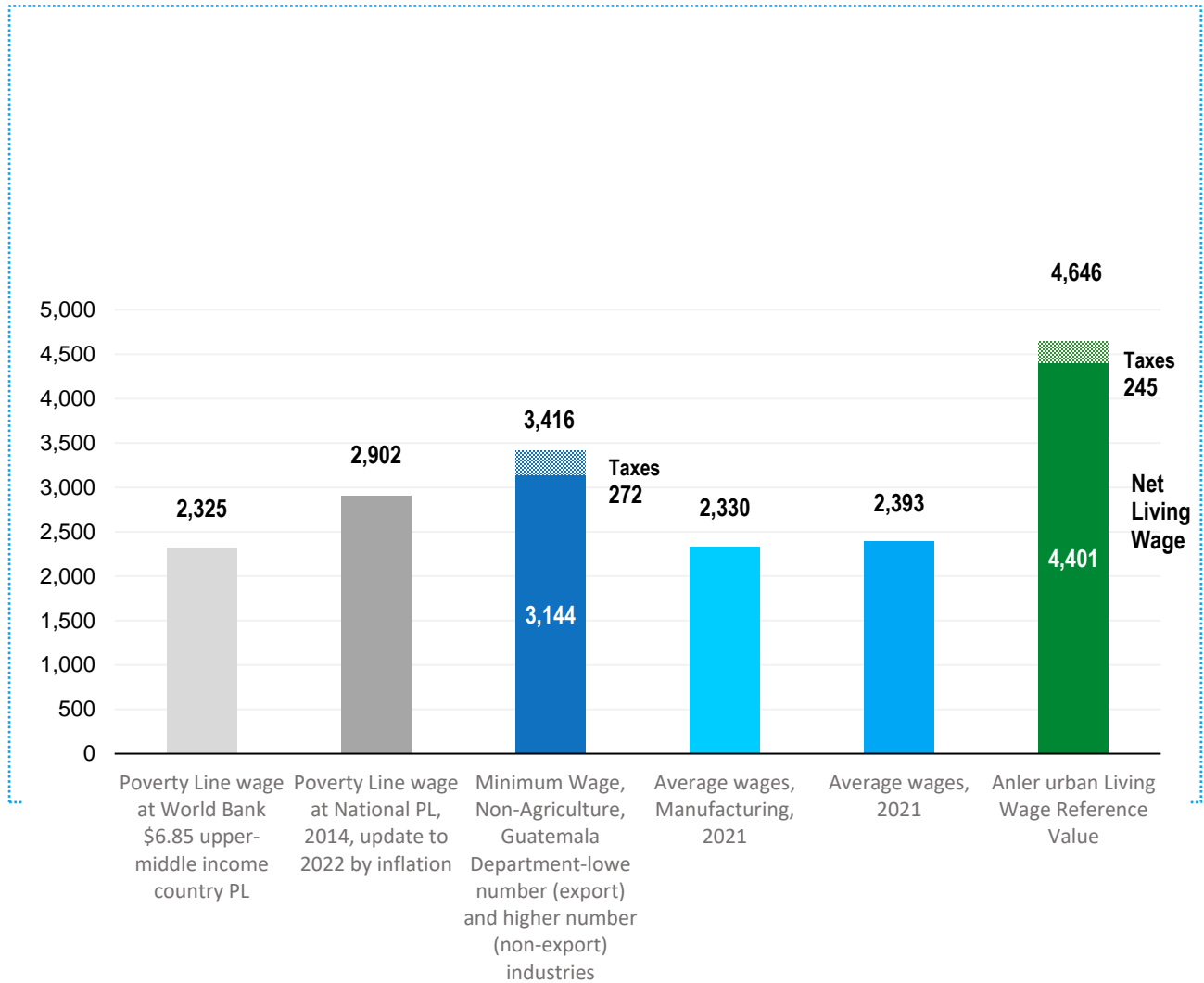
The Anker Reference Value for urban Guatemala is around 40% higher than the national minimum wage, and around 2 times the average wage for manufacturing occupations, and the average wage for all occupations. It is clear that wages for low wage workers in urban Guatemala are too low for basic decency. Also, it implies that since these two average prevailing wages are slightly lower than the minimum wage, many low wage workers in the informal sector earn less than the national minimum wage.

41 <https://ilostat.ilo.org/data/>

42 Instituto Nacional de Estadística Guatemala. (2019) Tasa de informalidad por características seleccionadas. <https://www.ine.gob.gt/encuesta-nacional-de-empleo-e-ingresos/>

43 Prensa Libre Guatemala. (2019) ¿Cuánto representó la economía informal en Guatemala en 2019? <https://www.prensalibre.com/economia/cuanto-represento-la-economia-informal-en-guatemala-en-2019/>

Figure 1. Guatemala Urban Wage Ladder (GTQ per month), 2022



Notes:

a Guatemala’s national poverty line is indicated in the Índice de Pobreza Multidimensional report, from the Ministry of Social Development (2018). It was estimated for 2014, which we updated by inflation to June 2022 for expositional purposes.

b The World Bank international poverty line wage for Guatemala was estimated using the new World Bank per capita poverty line for upper-middle-income countries (\$6.85 PPP). The Private Consumption Conversion Factor PPP value we used to estimate the World Bank Poverty Line Wage was 4.55.

c Family size of 4 (2 adults and 2 children) was used for expositional purposes to estimate the national poverty line wage and the World Bank poverty line wage. This is in keeping with an urban total fertility rate of 2.00 and a child mortality adjusted urban total fertility rate of 1.96 which implies a family size of slightly less than 4; and an urban average household size of 4.19 when single person households (that do not include children) and especially large households with more than 7 members (that probably includes more than 2 workers) are excluded.

d Number of full-time equivalent workers per family of 1.63 is used for expositional purposes to estimate poverty line wages. This was determined using male and female rates for the age range of 25-54 from ILOSTAT for labor force participation (M=96.1%; F=54.1%), unemployment (M=1.5%; F=3.1%), and part-time employment (M=22.8%; F=42.6%). Part-time employment was defined as workers who work less than 35 hours per week.

e The Anker Living Wage Reference Value is estimated directly based on statistical analysis and therefore does not have an explicit number of full-time workers per family or reference family size (although reference family size falls from 6 to 4 with development in Anker Methodology living wage benchmark studies).

f For expositional purposes, the wage ladder includes the non-agriculture minimum wage for the Guatemala Department for export industries (lower value) and non-export industries (higher value). Values are with effect from January 2023.

g Average wages are from the ILOSTAT, based on the National Labor Force Survey. Last year available was 2021.

h Workers would have to pay social security tax (4.83%) and income tax (at 5% marginal rate) on the Anker Reference Value living wage.